

G-011/M-91-989 ORDER APPROVING TARIFF LANGUAGE, REQUIRING
INSPECTIONS, AND REQUIRING CUSTOMER BROCHURE

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Peoples Natural
Gas Company's Request to
Establish a Tariff for Repairing
and Replacing Farm-Tap Lines

ISSUE DATE: May 25, 1993

DOCKET NO. G-011/M-91-989

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PROCEDURAL HISTORY

I. Proceedings to Date

On December 19, 1991 Peoples Natural Gas Company (Peoples or the Company) filed a proposed tariff to clarify its responsibilities for the repair and maintenance of "farm-tap" lines, customer-owned distribution lines running from the interstate pipeline to the customer's property. Most of these lines were constructed at the same time as the interstate pipeline, some 40 years ago. Northern Natural Gas Company, which owned the pipeline, allowed rural landowners to tap in to it, in return for easements allowing Northern to run the main pipeline below their land. Since then, many of these farm-tap lines have been forgotten by landowners and fallen into disrepair. Safety concerns led Peoples to file a proposed tariff defining the responsibilities of landowners to maintain the lines in safe condition.

On October 26, 1992 the Commission issued an Order authorizing Peoples to maintain and repair farm-tap lines on an unregulated basis, requiring Peoples to publish a brochure on the maintenance and repair responsibilities of farm-tap customers, requiring Peoples to file annual reports on farm-tap line safety, and requiring Peoples to make a filing addressing safety issues.

Peoples' compliance filings under the December 19 Order came before the Commission on May 13, 1993. The Company and the Department appeared. A representative of the Office of Pipeline Safety appeared on behalf of that agency to answer questions.

FINDINGS AND CONCLUSIONS

II. The Company's Filings; Comments of the Department

Peoples' compliance filings included proposed tariff language on its unregulated maintenance and repair services, a proposed customer brochure, and responses to the safety questions posed in the December 19 Order. The Company took the position that it had a duty to provide service to farm-tap customers and that its safety responsibilities were limited to disconnecting service to individual farm-tap lines found to be unsafe. The Company claimed any more thoroughgoing safety program would have to be required by the legislature.

The Department of Public Service (the Department) filed comments recommending more detailed information in the customer brochure on farm-tap safety. The Department neither supported nor opposed legislation on safety issues.

III. Commission Action

Having examined the Company's filing and the Department's comments, the Commission will approve the proposed tariff, require the Company to conduct periodic inspections of farm-tap lines, require revisions to the customer brochure, and establish filing dates for the Company's annual safety reports.

A. Proposed Tariff Approved

Peoples' proposed tariff on unregulated maintenance and repair services complies with the terms of the December 19 Order and will be approved.

B. Farm-Tap Line Inspection Required

It is clear that there is cause for concern about the safety of some farm-tap lines. It is equally clear that Peoples must continue to provide service to farm-tap customers¹ and that the service provided must be "safe, adequate, efficient, and reasonable." Minn. Stat. § 216B.04 (1992). The Commission can enforce the Company's obligation to provide safe service under Minn. Stat. § 216B.09 (1992), which authorizes the Commission to set standards or require practices for a utility to follow in delivering service.

¹ The Commission will not address the hypothetical question of whether Peoples could legally discontinue farm-tap service, since that appears unworkable from a practical standpoint. The easements given in return for farm-tap service are crucial to the operation of the interstate gas transmission system.

The Commission finds that Peoples cannot provide reasonably safe service to farm-tap customers unless farm-tap lines are inspected periodically for leaks and corrosion. Peoples has the technical and organizational expertise to conduct these inspections. Rural landowners do not. Furthermore, the Company acknowledged there is no established pool of qualified inspectors for customers to contact for inspection services. Even if there were, the Company, being ultimately responsible for providing safe service, would have to monitor customers' compliance with their inspection responsibilities. The Commission concludes the most straightforward and efficient way to ensure periodic inspections is to require Peoples to perform them. The Commission will do so.

C. Compliance Filing Required

The details of the Company's inspection program will be worked out in a compliance filing. The Commission will require, however, that the Company adopt a three-year cycle for routine inspections. The federal agency responsible for pipeline safety has stated it intends to change the existing five year standard to three years, and the corresponding state agency has stated it agrees. Of course, the three year requirement applies only to routine inspections; the Company should inspect as often as necessary in individual cases.

The Company expressed concern about gaining access to farm-tap customers' property for inspections. The Commission believes the most effective way to ensure access is to make compliance with periodic inspections a condition of receiving farm-tap service. The Commission will require the Company to modify its farm-tap tariff to incorporate that condition.

The inspection program required under this Order will impose costs on the Company and may increase its revenue requirement. The Company should submit cost information and a cost recovery proposal in its next general rate case, the appropriate vehicle for determining cost recovery issues.

Finally, it is clear that the inspections required under this Order will sometimes disclose pipeline conditions requiring repair. The Company, in its unregulated capacity, will often be the contractor chosen to make these repairs. The Commission believes it would be beneficial to farm-tap customers, the system as a whole, and the Company, if the Company would offer financing on reasonable terms to farm-tap customers needing repairs. The Company will be required to develop a financing package and file it as part of its compliance filing.

D. Brochure Revisions Required

The informational brochure required under the December 19 Order for distribution to farm-tap customers will need revision to

reflect the decisions in this Order. It must explain the Company's inspection responsibilities and customers' obligations to allow inspection as a condition of service. As the Company earlier agreed, the brochure should include an emergency telephone number for customers to call to report suspected leaks.

E. Safety Report Filing Dates Set

The December 19 Order required annual farm-tap safety reports. After consultation with the Company, staff has recommended an April 1 filing date for these reports. The Commission concurs. The first annual report shall not be limited to calendar year 1993, but shall include the time from the Commission's first Order in this docket (October 26, 1992) to the end of 1992.

ORDER

1. The farm-tap tariff filed by the Company on May 13, 1993, entitled "Standards for Customer-Owned Fuel Lines," is approved.
2. The Company shall conduct periodic inspections of the farm-tap lines it serves and shall make a filing detailing its plans for complying with this requirement within 45 days of the date of this Order.
3. The Company shall develop and file within 45 days of the date of this Order a plan for offering financing to farm-tap customers who contract with the Company for line maintenance or repairs.
4. The Company shall revise its informational brochure on farm-tap safety to reflect the decisions and requirements of this Order. The revised brochure shall be filed within 45 days of the date of this Order.
5. The Company shall file the farm-tap safety reports required under the October 26, 1992 Order each year on April 1. The first report shall include the period from October 26, 1992 to December 31, 1992, as well as calendar year 1993.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)